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THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/11/05

**R. Brown & Company**  
Certified Public Accountants  
A Professional Corporation

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2004 AND 2003

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2004 AND 2003

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**R. BROWN & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

12046 Justice Avenue, Suite B.  
Baton Rouge, Louisiana 70816  
Telephone: (225) 296-5200  
Fax: (225) 296-5201  
E-Mail: REBROWN@RBROWNPCA.COM

Richard E. Brown, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

To The Board of Directors  
The Harmony Center, Inc.  
(A Not For Profit Organization)  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Harmony Center, Inc. (a not for profit organization) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harmony Center, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2005, on our consideration of The Harmony Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Harmony Center, Inc. taken as a whole. The accompanying supplemental schedules on pages 20 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 10 to the financial statements, subsequent to years ended June 30, 2003 and 2002, The Harmony Center, Inc. prepared and filed Cost Reports for Benton Rehabilitation Hospital, indicating amounts due. The ultimate outcome of any adjustments to the Cost Reports cannot presently be determined, but management is of the opinion that no additional amounts will be due. Nevertheless, due to uncertainties with the Cost Reports, it is at least reasonably possible that management's view of the outcome will change in the near term.

March 5, 2005  
Baton Rouge, Louisiana



THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$179,257	\$183,689
Investments (Note 4)	173,567	170,773
Accounts receivable	1,225,750	1,174,176
Receivables - other (Note 5)	5,307	60,388
Inventory	10,935	3,642
Prepaid expenses	68,899	42,367
Total current assets	<u>1,663,715</u>	<u>1,635,035</u>
PROPERTY AND EQUIPMENT		
Buildings and land	4,130,423	4,129,422
Furniture and equipment	1,032,100	992,443
Motor vehicles	1,022,445	861,026
Building improvements	846,343	832,289
	<u>7,031,311</u>	<u>6,815,180</u>
Accumulated depreciation	<u>(2,490,617)</u>	<u>(2,249,978)</u>
	<u>4,540,694</u>	<u>4,565,202</u>
OTHER ASSETS		
Due from officer (Note 5)	173,239	187,489
Deposits (Note 2)	76,850	93,400
Goodwill	130,000	130,000
	<u>380,089</u>	<u>410,889</u>
TOTAL ASSETS	<u>\$ 6,584,498</u>	<u>\$ 6,611,126</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable (Note 5)	\$873,469	\$723,076
Accrued expenses	177,575	173,331
Cost report settlement payable	-	304,907
Note payable (Note 4)	245,101	373,405
Current maturities of long-term debt (Note 3)	1,481,177	471,996
Total current liabilities	<u>2,777,322</u>	<u>2,046,715</u>
LONG-TERM DEBT, net of current maturities (Note 3)	249,773	926,896
COMMITMENTS & CONTINGENCIES (Notes 6, 8 & 10)	-	-
Total liabilities	<u>3,027,095</u>	<u>2,973,611</u>
NET ASSETS, unrestricted	<u>3,557,403</u>	<u>3,637,515</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,584,498</u>	<u>\$ 6,611,126</u>

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES

	<u>YEAR ENDED JUNE 30</u>	
	<u>2004</u>	<u>2003</u>
REVENUE AND SUPPORT		
Government fees - housing	\$10,255,783	\$9,508,109
Government fees - food	102,953	96,352
Government fees - services	59,885	84,154
Residents' rental income	416,909	394,536
Government fees - Medicare A	346,935	1,351,284
Gain on sale of assets	-	-
Rental income (Note 5)	173,781	157,895
Interest and other income	2,738	4,239
Total revenue and support	<u>11,358,984</u>	<u>11,596,569</u>
EXPENSES		
Program services:		
Group homes	6,002,487	5,597,024
Community homes	3,408,884	3,293,888
Extraordinary therapy	46,815	63,270
Benton Rehab Hospital	352,246	1,820,759
Total program services	<u>9,810,432</u>	<u>10,774,941</u>
Support services:		
Central Office cost	1,628,664	1,726,213
Total expenses	<u>11,439,096</u>	<u>12,501,154</u>
CHANGE IN NET ASSETS, unrestricted	(80,112)	(904,585)
NET ASSETS, unrestricted - beginning of year	<u>3,637,515</u>	<u>4,542,100</u>
NET ASSETS, unrestricted - end of year	<u>\$3,557,403</u>	<u>\$3,637,515</u>

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2004

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	\$790,469	\$264,847	\$172,665	\$ -	\$19,556	\$333,401
Payroll taxes	62,643	17,954	13,625	-	12,371	18,693
Employee benefits	80,086	16,997	18,914	-	603	43,572
Advertising	18	-	-	-	18	-
Insurance	494,056	283,147	129,925	1,229	3,875	75,880
Interest - operations	43,069	-	-	-	-	43,069
Licenses	14,727	8,122	6,310	-	-	295
Office supplies	54,814	21,692	24,021	-	259	8,842
Printing	2,540	951	-	-	-	1,589
Provider fee	274,157	-	274,157	-	-	-
Motor vehicle expense	207,421	119,888	53,432	-	637	33,464
Taxes - non-property	-	-	-	-	-	-
Postage	8,565	4,545	3,197	-	-	823
Professional services	170,732	9,592	1,577	-	47,764	111,799
Subscriptions	3,750	1,176	1,477	-	-	1,097
Telephone	135,694	34,164	7,830	-	1,265	92,355
Training	35,514	20,925	14,520	-	-	69
Travel and seminar	25,892	20,118	5,323	-	-	451
Bank charges	47,788	460	356	-	758	46,214
Management fees (Note 5)	120,000	-	-	-	-	120,000
Miscellaneous	404,305	33,291	64,537	-	42,966	263,511
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	164,454	46,480	51,016	-	1,097	65,861
Payroll taxes	12,123	3,534	3,714	-	-	4,875
Employee benefits	7,006	1,026	(1,242)	-	-	7,222
Outside services	55,091	24,354	13,827	-	368	16,542
Repairs and maintenance	165,607	120,592	26,608	-	2,588	15,819
Supplies	35,491	27,815	4,930	-	203	2,543
Utilities	418,752	288,282	72,171	-	13,352	44,947
COST RELATED TO CAPITAL ASSETS						
Depreciation	240,639	120,417	44,306	-	8,006	67,910
Interest	133,392	51,336	6,103	-	-	75,953
Rent (Notes 5 & 6)	284,025	123,225	88,000	-	10,350	62,450
Property taxes	13,559	5,238	-	-	-	8,321
Other	114,703	51,414	3,649	-	443	59,197
DIETARY EXPENSE						
Salaries and wages	8,305	-	-	-	8,305	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	409,319	290,430	113,535	-	5,354	-
Dietary supplies	9,863	6,800	3,063	-	-	-
Dietician	15,419	10,952	4,187	-	280	-
LAUNDRY AND LINEN SUPPLIES	17,155	12,332	2,904	-	1,919	-
HOUSEKEEPING						
Salaries and wages	4,878	-	-	-	4,878	-
Housekeeping supplies	43,018	32,294	8,049	-	858	1,817
PERSONAL CLIENT NEEDS						
Clothing	25,446	11,534	13,912	-	-	-
Other	61,483	42,318	19,165	-	-	-
MEDICAL AND NURSING						
Salaries and wages	105,581	-	-	-	105,581	-
Payroll taxes	-	-	-	-	-	-
Medical services	11,960	5,550	3,716	-	2,694	-
Medical supplies	31,267	7,997	10,818	-	12,369	83
Ambulance services	(1,567)	-	-	-	(1,567)	-
Patient transportation	(3,594)	-	-	-	(3,594)	-
X-Ray expense	570	-	-	-	570	-
Other	28,639	14,905	1,312	-	12,422	-
THERAPEUTIC AND TRAINING						
Salaries and wages	4,372,897	3,093,514	1,237,281	42,102	-	-
Payroll taxes	357,500	253,800	100,130	3,570	-	-
Employee benefits	254,355	160,986	87,216	(86)	6,239	-
Supplies	1,123	1,123	-	-	-	-
Other training (Note 5)	561,239	2,858	558,381	-	-	-
RECREATIONAL	63,383	47,527	15,252	-	604	-
CONSULTANTS	418,219	264,429	124,955	-	28,835	-
EXECUTIVE COMPENSATION	11,281	11,281	-	-	-	-
EDUCATION (Note 5)	10,275	10,275	-	-	-	-
COST REPORT SETTLEMENT AMOUNT (Note 10)	-	-	-	-	0	-
TOTAL EXPENSES	<u>\$11,439,096</u>	<u>\$6,002,487</u>	<u>\$3,408,884</u>	<u>\$46,815</u>	<u>\$352,246</u>	<u>\$1,628,664</u>

The accompanying notes are an integral part of these financial statements.



THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2003

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	\$869,824	\$222,783	\$142,256	\$ -	\$168,850	\$335,934
Payroll taxes	59,793	14,355	11,424	-	12,681	21,333
Employee benefits	78,410	16,679	19,749	-	10,738	31,244
Advertising	78	-	-	-	78	-
Insurance	468,166	213,801	107,156	1,604	24,792	120,813
Interest - operations	22,847	-	-	-	3,309	19,538
Licenses	14,356	8,529	5,041	-	786	-
Office supplies	59,481	34,666	17,774	(25)	5,435	1,631
Printing	2,638	1,156	-	-	436	1,047
Provider fee	275,884	-	275,884	-	-	-
Motor vehicle expense	248,235	152,248	55,708	-	1,680	38,599
Taxes - non-property	-	-	-	-	-	-
Postage	7,388	4,592	1,959	-	694	143
Professional services	203,089	53,542	3,892	-	33,314	112,341
Subscriptions	8,665	3,001	1,837	-	2,844	1,187
Telephone	131,872	31,346	9,493	-	6,563	84,470
Training	36,867	19,165	17,306	-	20	376
Travel and seminar	59,133	29,152	4,784	-	1,003	24,194
Bank charges	51,886	564	1,119	-	3,455	46,748
Management fees (Note 5)	120,000	-	-	-	-	120,000
Miscellaneous	38,744	21	38,723	-	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	149,266	30,362	38,550	-	9,780	70,573
Payroll taxes	13,356	2,353	2,860	-	2,841	5,302
Employee benefits	5,131	(733)	-	-	-	5,864
Outside services	65,522	20,768	22,115	-	5,190	17,449
Repairs and maintenance	211,598	144,508	29,702	-	15,321	22,066
Supplies	62,191	44,419	7,079	-	7,056	3,637
Utilities	367,758	240,859	73,721	-	21,192	31,986
COST RELATED TO CAPITAL ASSETS						
Depreciation	256,516	138,108	38,292	-	7,840	72,276
Interest	112,363	46,412	4,511	-	-	61,440
Rent (Notes 5 & 6)	368,517	152,400	74,301	-	64,200	77,616
Property taxes	8,133	6,939	-	-	-	1,194
Other	117,861	45,910	10,529	-	17,720	43,702
DIETARY EXPENSE						
Salaries and wages	59,629	-	-	-	59,629	-
Payroll taxes	4,461	-	-	-	4,461	-
Employee benefits	6	-	-	-	6	-
Food	426,930	281,348	111,455	-	34,127	-
Dietary supplies	15,947	9,577	5,392	-	978	-
Dietician	20,392	10,532	3,890	-	5,970	-
LAUNDRY AND LINEN SUPPLIES	23,501	13,953	3,329	-	6,219	-
HOUSEKEEPING						
Salaries and wages	33,613	-	-	-	33,613	-
Housekeeping supplies	47,317	30,808	7,025	-	9,134	351
PERSONAL CLIENT NEEDS						
Clothing	30,807	5,337	25,470	-	-	-
Other	55,035	34,129	20,906	-	-	-
MEDICAL AND NURSING						
Salaries and wages	637,131	-	-	-	637,131	-
Payroll taxes	49,408	-	-	-	49,408	-
Medical services	41,432	8,019	12,364	-	21,049	-
Medical supplies	62,720	5,567	1,744	-	55,409	-
Ambulance services	4,912	-	-	-	4,912	-
Patient transportation	12,337	-	-	-	12,337	-
X-Ray expense	17,263	-	-	-	17,263	-
Other	220,898	34,295	8,362	-	178,240	-
THERAPEUTIC AND TRAINING						
Salaries and wages	3,950,890	2,706,839	1,182,132	55,373	6,546	-
Payroll taxes	353,009	235,339	104,637	6,018	4,378	2,637
Employee benefits	294,233	155,938	84,418	300	49,874	3,703
Supplies	2,520	2,464	-	-	56	-
Other training (Note 5)	567,261	4,444	562,817	-	-	-
RECREATIONAL	85,326	54,311	27,389	-	3,626	-
CONSULTANTS	621,896	274,194	116,793	-	230,909	-
EXECUTIVE COMPENSATION	42,795	42,795	-	-	-	-
EDUCATION (Note 5)	356,050	9,230	-	-	-	346,820
COST REPORT SETTLEMENT AMOUNT (Note 10)	(32,336)				(32,336)	
TOTAL EXPENSES	\$12,501,154	\$5,597,024	\$3,293,888	\$63,270	\$1,820,759	\$1,726,213

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Government fees received	\$10,769,146	\$11,223,488
Residents' income received	416,909	394,534
Rental income received	173,781	115,100
Interest income and other received	2,655	6,172
Cash paid to suppliers and employees	(11,192,380)	(11,758,520)
Interest paid	(176,417)	(150,173)
Net cash provided by operating activities	(6,306)	(169,399)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans to shareholder	14,250	12,727
Repayments from (loans to) others, net	-	-
Proceeds from liquidation of investments	-	-
Capital expenditures	(216,130)	(164,138)
Net cash used in investing activities	(201,880)	(151,411)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (payments) on line of credit	(128,304)	272,673
Proceeds from long-term debt	837,906	303,596
Payments on long-term debt	(505,848)	(178,334)
Payment of deposit toward purchase of real estate	-	(52,700)
Net cash used in provided by financing activities	203,754	345,235
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,432)	24,425
CASH AND CASH EQUIVALENTS - beginning of year	183,689	159,264
CASH AND CASH EQUIVALENTS - end of year	\$179,257	\$183,689
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	(\$80,112)	(\$904,585)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	240,639	256,514
Write down of deposit amount	16,550	-
Gain on sale of property	-	-
(Increase) decrease in investments	(2,794)	23,807
(Increase) decrease in receivables - other	55,081	17,748
(Increase) decrease in inventory	(7,293)	707
(Increase) decrease in accounts receivable	(51,574)	167,776
(Increase) decrease in prepaid expenses	(26,532)	58,204
(Decrease) increase in accounts payable	150,393	200,757
(Decrease) increase in cost report settlement payable	(304,907)	(32,336)
(Decrease) increase in accrued expenses	4,243	42,009
Net cash provided by operating activities	(\$6,306)	(\$169,399)

The accompanying notes are an integral part of these financial statements.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies

Organization

The Organization originated as a not for profit organization in January, 1978 and is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue code.

The Harmony Center provides care to clients in one of six programs which include the following:

Group homes

Thirteen homes providing housing and care for foster children and referrals from the Department of Corrections aged 14 to 18.

Community homes

Ten homes providing housing and care for mentally impaired clients aged 18 and over.

Extraordinary therapy

Additional health and rehabilitation services provided to chronically mentally ill clients residing in community homes.

Transitional services

Supervised transitional residence and aftercare program for discharged forensic clients to develop daily living skills and prepare for vocational adjustment.

Mental Health Rehab services

Community based mental health services for mentally ill clients.

Benton Rehab Hospital

Hospital environment which provides physical rehabilitation services to accident and stroke victims. This is a Medicare - Part A rehabilitation hospital that became certified December 20, 2001.

All programs are operated in southern Louisiana and are funded by several State of Louisiana agencies through the Department of Health and Hospitals, Department of Corrections, Department of Social Services and Department of Education, as well as the Federal Government through the Medicare program, as follows. Funding received by the Organization is in its capacity as a vendor; no Federal awards are received.

THE HARMONY CENTER, INC.  
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

<u>Program</u>	<u>Funding Agency</u>	<u>Funding Basis</u>
<u>Group Homes:</u>		
Longfellow	Office of Community Services Department of Education	Per diem Meals provided
Harmony III	Office of Juvenile Services Department of Education	Per diem Meals provided
Supervised Apts	Office of Juvenile Services	Per diem
Hadley House	Office of Juvenile Services Department of Education	Per diem Meals provided
Vermillion	Office of Community Services Department of Education	Per diem Meals provided
Jackson	Office of Community Services Department of Education	Per diem Meals provided
Bragg	Office of Community Services Department of Education	Per diem Meals provided
Fairfields	Office of Community Services Office of Juvenile Services Department of Education	Per diem Per diem Meals provided
Changes	Office of Community Services Department of Education	Per diem Meals provided
Focus	Office of Juvenile Services Department of Education	Per diem Meals provided
Shirley's Den	Office of Juvenile Services Department of Education	Per diem Meals provided
A B Horn	Office of Juvenile Services Department of Education	Per diem Meals provided
Oaks	Office of Community Services Department of Education	Per diem Meals provided
Camelia	Office of Community Services Department of Education	Per diem Meals provided
<u>Transitional Services:</u>		
Transitional	Office of Mental Health	Per diem

THE HARMONY CENTER, INC.  
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

<u>Program</u>	<u>Funding Agency</u>	<u>Funding Basis</u>
<u>Mental Health Rehab Services:</u>		
Mental rehab	Office of Mental Health	Services rendered
<u>Community Homes:</u>		
East	Office of Family Security	Per diem
Bedford	Office of Family Security	Per diem
Goudchaux	Office of Family Security	Per diem
Elissalde	Office of Family Security	Per diem
Convention	Office of Family Security	Per diem
Riley	Office of Family Security	Per diem
Harmony II	Office of Family Security	Per diem
Florida Street	Office of Family Security	Per diem
Mason	Office of Family Security	Per diem
Carrollton	Office of Family Security	Per diem
<u>Extraordinary Therapy:</u>		
Bedford	Office of Family Security	Per diem
Harmony II	Office of Family Security	Per diem
Florida Street	Office of Family Security	Per diem
<u>Benton Rehab Hospital:</u>		
Benton	Medicare - Part A	Per diem

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

THE HARMONY CENTER, INC.  
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BATON ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 2004 or 2003:

Contributions

Any contributions received by the Organization, including donations of long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor. During the year ended June 30, 2004 and 2003, there were no contributions.

Allowance for Doubtful Accounts

The allowance for uncollectible accounts is based on prior experience and management's assessment of the collectibility of accounts receivable. Due to the nature of the receivables, which are due from agencies of the State of Louisiana and the Federal Government, all amounts are considered to be collectible and therefore, an allowance for uncollectible accounts has not been established.

Inventory

Inventory is valued at the lower of cost (as determined by the first-in, first out method) or market.

Valuation of Investments

Investments consist of certificates of deposit. The certificates of deposit are presented at cost, which approximates fair value. Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets on the accompanying statement of activities.

THE HARMONY CENTER, INC.  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization follows the practice of capitalizing, at cost, expenditures for fixed assets in excess of \$500. Property donated to the Organization is recorded at fair market value. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Buildings	40 years
Furniture and equipment	5-10 years
Vehicles	3-5 years
Building improvements	2-20 years

Fair Value of Long-Term Debt

Based on the borrowing rates currently available to the Organization for similar loans with similar terms and maturities, the carrying amount of its long-term debt approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of trade accounts receivable. As of June 30, 2004 and 2003 substantially all of the Organization's trade receivables are unsecured and due from agencies of the State of Louisiana and the Federal Government. All of the Organization's revenues are generated in southern Louisiana.

The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At various times throughout the years ended June 30, 2004 and 2003 these balances may have exceeded \$100,000.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

Allocation of Administrative Expenses

The Organization allocates the Central office overhead expenses by a pro rata percentage of the direct program costs for the various group homes, community homes, transitional services and the rehab hospital.

Shared administrative costs are those expenses that benefit only the group homes or the community homes. These costs are allocated among the various group homes or community homes based upon the percentage of each home's client days to total program client days.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



THE HARMONY CENTER, INC.  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

2. Long-Term Debt

Long-term debt consists of the following:

<u>Payee/ Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>	<u>June 30</u>	
				<u>2004</u>	<u>2003</u>
Bank/Louisa St. real estate	10.25%	11/2004	\$1,685	\$ 190,224	\$ 193,739
Bank/real estate	9.75%	9/2008	613	24,664	28,423
Bank/vehicle	7.60%	6/2005	835	7,718	16,750
Bank/2 vehicles	7.25%	9/2006	904	33,130	0
Bank/real estate	8.50%	4/2005	9,389	733,648	0
Bank/vehicle	4.99%	8/2009	270	14,013	0
Bank/equipment	21.10%	8/2009	776	25,309	0
Bank/vehicle	7.57%	8/2007	404	13,702	17,295
Bank/vehicle	7.57%	8/2007	404	13,702	17,295
Bank/real estate	7.75%	5/2008	5,144	207,402	250,899
Bank/real estate	8.50%	12/2003	10,736	0	387,314
Bank/real estate	8.95%	4/2005	5,150	467,438	487,176
				1,730,950	1,398,891
Less current maturities				1,481,177	471,996
				<u>\$ 249,773</u>	<u>\$ 926,895</u>

The long-term debt matures as follows:

Year Ending June 30

2005	\$1,481,177
2006	88,996
2007	84,503
2008	75,201
2009	1,073
Thereafter	0
	<u>\$1,730,950</u>

THE HARMONY CENTER, INC.  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

3. Note Payable

The Organization has a line of credit with a local bank in the amount of \$250,000. The credit line accrues interest at 7.75% per annum. The line renews on an annual basis and matures in April 2004. The line is collateralized by certificates of deposit and real estate. The outstanding balance of the credit line as of June 30, 2004 and 2003, was \$245,101 and \$248,405, respectively. As of June 30, 2003 the Organization had an additional \$125,000 line of credit which accrued interest at 7% per annum. This line of credit was not renewed during 2004. The balance as of June 30, 2003 was \$248,405.

4. Related Party Transactions

During the years ended June 30, 2003 and 2002, the Organization leased buildings and land to Maxima Industries, Inc. and Louisiana Health and Rehabilitation Options, Inc., both of which are owned by an officer of the Organization. The lease agreements are renewable annually. Rental income earned under these leases was as follows:

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Maxima Industries, Inc.	\$ 25,200	\$ 25,200
Louisiana Health and Rehabilitation Options, Inc.	<u>15,500</u>	<u>15,500</u>
	<u>\$ 40,700</u>	<u>\$ 40,700</u>

During the years ended June 30, 2003 and 2002 the Organization hired Louisiana Health and Rehabilitation Options, Inc., to perform rehabilitation and therapy services. Fees incurred under this arrangement were as follows:

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Community Homes		
East	\$ 53,400	\$ 53,400
Riley	53,400	53,400
Harmony II	<u>44,400</u>	<u>44,400</u>
	<u>\$ 151,200</u>	<u>\$ 151,200</u>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

5. Related Party Transactions (continued)

The Harmony Center, Inc. engaged Maxima Industries, Inc. to provide day program habilitation training for residents of the community homes. During the fiscal year, Harmony paid Maxima the following amounts for services rendered:

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Community Homes		
East	\$ 49,474	\$ 44,962
Bedford	41,476	40,716
Elissalde	46,454	42,485
Goudchaux	37,922	34,763
Convention	45,151	46,548
Riley	50,443	52,556
Harmony II	40,898	40,527
Florida	38,022	39,926
Mason	40,217	38,624
	<u>\$390,057</u>	<u>\$381,107</u>

During the years ended June 30, 2003 and 2002, the Organization leased from an officer the following properties:

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Group Homes:		
Longfellow	\$ 8,400	\$ 8,400
Supervised Apartments	18,300	18,000
Vermillion	18,000	18,000
Jackson	18,375	31,500
Bragg	18,000	18,000
The Oaks	0	18,000
Shirley's Den	18,000	18,000
A B Horn	0	0
Community Homes:		
East	12,000	7,000
Elissalde	12,000	7,000
Goudchaux	7,200	7,200
Convention	14,400	14,400
Riley	4,000	0
Harmony II	14,400	14,700
Florida	12,000	12,000
Mason	12,000	12,000
Administrative	<u>14,400</u>	<u>14,400</u>
	<u>\$ 201,475</u>	<u>\$ 218,600</u>

The lease agreements are renewable annually.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

5. Related Party Transactions (continued)

The Organization has accrued an additional \$90,450 in back rent amounts due for the years ended June 30, 2004 and prior. This amount is included in accounts payable at year end.

Reflected in accounts payable are the following balances as of June 30, 2004 and 2003:

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Maxima Industries, Inc.	\$ 32,549	\$ 31,266
Louisiana Health and Rehabilitation Options, Inc.	<u>12,600</u>	<u>12,600</u>
	<u>\$45,149</u>	<u>\$ 43,866</u>

As of June 30, 2004 and 2003, the Organization was due \$44,752 and \$39,495, respectively, from Louisiana Health and Rehabilitation Options, Inc. As of June 30, 2004 and 2003, the Organization was due \$0 and \$5,737, respectively from Louisiana New School Academy.

The amount due from officer on the statement of financial position is an unsecured, short-term obligation which was non-interest bearing during the fiscal years ended June 30, 2004 and 2003.

During the years ended June 30, 2004 and 2003, the Company paid management fees totaling \$100,000 and \$120,000, respectively, to Human Resource Group Inc., a corporation owned by an officer of the Company. An additional amount of \$20,000 is included in accounts payable as of June 30, 2004.

During the years ended June 30, 2004 and 2003, the Company incurred education costs of \$208,436 and \$346,820, respectively, related to the Louisiana New School Academy, a nonprofit organization formed under Section 501(c)(3) of the Internal Revenue Code which is operated by a relative of an officer of the organization.

6. Operating Leases

In addition to the related party leases which are discussed in Note 5, the Organization leases a building from an unrelated party for \$3,500 per month. The lease agreement is renewable annually. Rental expense under that lease was \$42,000 for each of the years ended June 30, 2004 and 2003.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

6. Operating Leases (continued)

The Organization also leases various office equipment under multiple operating leases. The leases commenced on varying dates between August 1998, through July 2003, and are for periods ranging from 36 to 72 months, with various termination dates ranging from July 2004 through March 2007. The terms of these operating lease agreements require monthly payments totaling \$2,582. Rental expense under those leases totaled \$30,981 and \$33,564 during the years ended June 30, 2004 and 2003, respectively.

Future minimum rental payment under the above equipment leases are as follows:

<u>Year Ending June 30</u>	
2005	\$ 38,301
2006	36,851
2007	18,960
2008	0
	<u>\$ 94,113</u>

7. Estimated Extraordinary Rate Overpayment

The Organization was notified by the Louisiana Department of Health and Hospitals that its extraordinary therapy services were under review for the fiscal year ended June 30, 1998. Although no final determination of liability for overpayment was established as of June 30, 1999, the Organization used criteria set forth by the Department of Health and Hospitals to estimate a liability of \$53,072 for the year ended June 30, 1998. Using the same criteria, the Organization estimated a liability of \$45,440 for extraordinary therapy services for the year ended June 30, 1999. No additional liability was accrued as of June 30, 2000. As of June 30, 2000, the total estimated liability was \$98,512. As of June 30, 2001, management reduced the estimate to zero; therefore removing the liability. No accrual was necessary as of June 30, 2002, 2003 and 2004.

8. Contingencies

Current and prior funds received from the various funding agencies are subject to audit by the respective agencies. Generally accepted accounting principles preclude a charge to income for a provision for loss contingencies, if any, that cannot be reasonably estimated.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

8. Contingencies (continued)

A petition was filed by a plaintiff for personal injuries he allegedly received on March 13, 1999 when he was involved in a motor vehicle accident with a vehicle owned by The Harmony Center, Inc. and operated by an employee of The Harmony Center, Inc. The case went to trial and was settled during fiscal year 2003 for \$40,000.

A petition has been filed by a plaintiff for the purpose of acquiring by expropriation an interest in the property located at 4914 McClelland St. Plaintiffs and defendants have entered into a Consent Judgement by which plaintiffs shall pay The Harmony Center, Inc. \$18,009.

9. Other Matters

During the years ended June 30, 2004 and 2003, The Harmony Centers, Inc.'s executive director collected rental income in the amount of \$11,281 and \$42,795 respectively, from tenants of the Deville Apartments which are owned by The Harmony Center, Inc. The income was retained by the executive director. The Board has retroactively approved the retained amounts as additional executive director compensation.

10. Benton Rehabilitation Hospital Costs Reports and Restatement of Financial Statements

The Financial statements for the year ended June 30, 2002 were restated to reflect a \$337,243 payable by Benton Rehabilitation Hospital as a result of the completion of Benton's Cost Report for the period December 31, 2001 to June 30, 2002. The Cost Report for the year ended June 30, 2003 reflected refundable amounts totaling \$32,336. The net amount was unpaid as of June 30, 2003.

During 2004, the Organization entered into an agreement with Highland Healthcorp whereby Highland Healthcorp would run the Benton Rehabilitation facility. During the year, the above mentioned amount due was seized before payment to Highland Healthcorp was made which relieved the Organization of the net liability owed. Therefore, the net amount due for the cost reports mentioned above is now reflected as a payable to Highland Healthcorp and is included in accounts payable as of June 30, 2004.

SUPPLEMENTARY INFORMATION

THE HARMONY CENTER, INC.  
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BATON ROUGE, LOUISIANA

SCHEDULE OF FINANCIAL POSITION  
COMBINED PROGRAMS  
JUNE 30, 2004

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 179,257	\$ 133,113	\$ -	\$ 8,845	\$ 19,595	\$ 17,704
Investments	173,567	-	-	-	-	173,567
Accounts receivable	1,225,750	763,459	401,579	-	-	60,712
Interfund receivables	1,718,222	509,425	956,987	251,810	-	-
Receivables - other	5,307	5,269	38	-	-	-
Inventory	10,935	-	-	-	-	10,935
Prepaid expenses	68,899	36,138	18,785	-	-	13,976
Total current assets	<u>3,381,937</u>	<u>1,447,404</u>	<u>1,377,389</u>	<u>260,655</u>	<u>19,595</u>	<u>276,894</u>
<b>PROPERTY AND EQUIPMENT</b>						
Buildings and land	4,130,423	1,775,919	250,334	-	-	2,104,170
Furniture and equipment	1,032,100	554,636	197,954	-	46,955	232,555
Vehicles	1,022,445	551,949	280,041	-	-	190,455
Building improvements	846,343	482,615	189,253	-	16,088	158,387
	7,031,311	3,365,119	917,582	-	63,043	2,685,567
Accumulated depreciation	(2,490,617)	(1,222,457)	(492,158)	-	(19,046)	(756,956)
	<u>4,540,694</u>	<u>2,142,662</u>	<u>425,424</u>	<u>-</u>	<u>43,997</u>	<u>1,928,611</u>
<b>OTHER ASSETS</b>						
Due from officer	173,239	-	-	-	-	173,239
Deposits	76,850	20,000	-	-	-	56,850
Goodwill	130,000	-	130,000	-	-	-
	<u>380,089</u>	<u>20,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>230,089</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,302,720</u>	<u>\$ 3,610,066</u>	<u>\$ 1,932,813</u>	<u>\$ 260,655</u>	<u>\$ 63,592</u>	<u>\$ 2,435,594</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 873,469	\$ 145,004	\$ 181,221	\$ -	\$ 360,349	186,895
Accrued expenses	177,575	105,750	46,514	738	-	24,573
Interfund payables	1,718,222	-	-	-	625,038	1,093,184
Note payable	245,101	-	-	-	-	245,101
Current maturities of long-term debt	1,481,177	486,007	16,617	-	-	978,553
Total current liabilities	<u>4,495,544</u>	<u>736,761</u>	<u>244,352</u>	<u>738</u>	<u>985,387</u>	<u>2,528,306</u>
<b>LONG-TERM DEBT, net of current maturities</b>						
	<u>249,773</u>	<u>51,018</u>	<u>38,315</u>	<u>-</u>	<u>-</u>	<u>160,440</u>
Total liabilities	<u>4,745,317</u>	<u>787,779</u>	<u>282,667</u>	<u>738</u>	<u>985,387</u>	<u>2,688,746</u>
<b>NET ASSETS, unrestricted</b>	<u>3,557,403</u>	<u>2,822,287</u>	<u>1,650,146</u>	<u>259,917</u>	<u>(921,795)</u>	<u>(253,152)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,302,720</u>	<u>\$ 3,610,066</u>	<u>\$ 1,932,813</u>	<u>\$ 260,655</u>	<u>\$ 63,592</u>	<u>\$ 2,435,594</u>

The accompanying notes are an integral part of this schedule.



THE HARMONY CENTER, INC.  
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BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS  
COMBINED PROGRAMS  
YEAR ENDED JUNE 30, 2004

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA- ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
<b>REVENUE</b>						
Government fees - housing	\$10,255,783	\$ 6,824,882	\$ 3,430,901	\$ -	\$ -	\$ -
Government fees - food	102,953	102,953	-	-	-	-
Government fees - services	59,885	-	-	59,885	-	-
Residents' rental income	416,909	233,692	183,217	-	-	-
Government fees - Medicare A	346,935	-	-	-	346,935	-
Gain on sale of assets	-	-	-	-	-	-
Rental income	173,781	11,281	-	-	-	162,500
Interest income and other	2,738	-	20	-	8	2,710
	<u>11,358,984</u>	<u>7,172,808</u>	<u>3,614,138</u>	<u>59,885</u>	<u>346,943</u>	<u>165,210</u>
<b>EXPENSES</b>						
<b>ADMINISTRATIVE</b>						
Salaries and wages	790,469	264,847	172,665	-	19,556	333,401
Payroll taxes	62,643	17,954	13,625	-	12,371	18,693
Employee benefits	80,086	16,597	18,914	-	603	43,572
Advertising	18	-	-	-	18	-
Insurance	494,056	283,147	129,925	1,229	3,875	75,880
Interest - operations	43,069	-	-	-	-	43,069
Licenses	14,727	8,122	6,310	-	-	295
Office supplies	54,814	21,692	24,021	-	259	8,842
Printing	2,540	951	-	-	-	1,589
Provider fee	274,157	-	274,157	-	-	-
Motor vehicle expense	207,421	119,888	53,432	-	637	33,464
Taxes - non-property	-	-	-	-	-	-
Postage	8,565	4,545	3,197	-	-	823
Professional services	170,732	9,592	1,577	-	47,764	111,799
Subscriptions	3,750	1,176	1,477	-	-	1,097
Telephone	135,694	34,164	7,890	-	1,285	92,355
Training	35,514	20,925	14,520	-	-	69
Travel and seminar	25,892	20,118	5,323	-	-	451
Bank charges	47,788	460	356	-	758	46,214
Management fees	120,000	-	-	-	-	120,000
Miscellaneous	404,305	33,291	64,537	-	42,966	263,511
<b>PLANT OPERATIONS AND MAINTENANCE</b>						
Salaries and wages	164,454	46,480	51,016	-	1,097	65,861
Payroll taxes	12,123	3,534	3,714	-	-	4,875
Employee benefits	7,006	1,026	(1,242)	-	-	7,222
Outside services	55,091	24,354	13,827	-	368	16,542
Repairs and maintenance	165,607	120,592	26,608	-	2,588	15,819
Supplies	35,491	27,815	4,930	-	203	2,543
Utilities	418,752	288,282	72,171	-	13,352	44,947
<b>COST RELATED TO CAPITAL ASSETS</b>						
Depreciation	240,639	120,417	44,306	-	8,006	67,910
Interest	133,392	51,336	6,103	-	-	75,953
Rent	284,025	123,225	88,000	-	10,350	62,450
Property taxes	13,559	5,238	-	-	-	8,321
Other	114,703	51,414	3,649	-	443	59,197
<b>DIETARY EXPENSE</b>						
Salaries and wages	8,305	-	-	-	8,305	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	409,319	290,430	113,535	-	5,354	-
Dietary supplies	9,863	6,800	3,063	-	-	-
Dietician	15,419	10,952	4,187	-	280	-
<b>LAUNDRY AND LINEN SUPPLIES</b>						
	17,155	12,332	2,904	-	1,919	-
<b>HOUSEKEEPING</b>						
Salaries and wages	4,878	-	-	-	4,878	-
Housekeeping supplies	43,018	12,294	8,049	-	858	1,817
<b>PERSONAL CLIENT NEEDS</b>						
Clothing	25,446	11,534	13,912	-	-	-
Other	61,483	42,318	19,165	-	-	-

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS  
COMBINED PROGRAMS  
YEAR ENDED JUNE 30, 2004

	<u>TOTAL</u>	<u>GROUP HOMES</u>	<u>COMMUNITY HOMES</u>	<u>EXTRA-ORDINARY THERAPY</u>	<u>BENTON REHAB HOSPITAL</u>	<u>CENTRAL OFFICE</u>
MEDICAL AND NURSING						
Salaries and wages	105,581	-	-	-	105,581	-
Payroll taxes	-	-	-	-	-	-
Medical services	11,960	5,550	3,716	-	2,694	-
Medical supplies	31,267	7,997	10,818	-	12,369	83
Ambulance services	(1,567)	-	-	-	(1,567)	-
Patient transportation	(3,594)	-	-	-	(3,594)	-
X-Ray expense	570	-	-	-	570	-
Other	28,639	14,905	1,312	-	12,422	-
THERAPEUTIC AND TRAINING						
Salaries and wages	4,372,897	3,093,514	1,237,281	42,102	-	-
Payroll taxes	357,500	253,800	100,130	3,570	-	-
Employee benefits	254,355	160,986	87,216	(86)	6,239	-
Supplies	1,123	1,123	-	-	-	-
Other training	561,239	2,858	558,381	-	-	-
RECREATIONAL	63,383	47,527	15,252	-	604	-
CONSULTANTS	418,219	264,429	124,955	-	28,835	-
EDUCATION	10,275	10,275	-	-	-	-
COST REPORT SETTLEMENT REPORT	-	-	-	-	-	-
EXECUTIVE COMPENSATION	11,281	11,281	-	-	-	-
ALLOCATED EXPENSES						
Central Office cost	-	762,327	401,790	-	40,451	(1,204,568)
Shared cost	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<u>11,439,096</u>	<u>6,764,814</u>	<u>3,810,674</u>	<u>46,815</u>	<u>392,697</u>	<u>424,096</u>
CHANGE IN NET ASSETS	(80,112)	407,994	(196,536)	13,070	(45,754)	(258,886)
Interprogram Transfers	-	-	-	-	-	-
NET ASSETS - July 1, 2003	<u>3,637,515</u>	<u>2,414,293</u>	<u>1,846,682</u>	<u>246,847</u>	<u>(876,041)</u>	<u>5,734</u>
NET ASSETS - June 30, 2004	<u>\$ 3,557,403</u>	<u>\$ 2,822,287</u>	<u>\$ 1,650,146</u>	<u>\$ 259,917</u>	<u>\$ (921,795)</u>	<u>\$ (253,152)</u>

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BAYOU BOULE, LOUISIANA  
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS  
GROUP HOMES  
YEAR ENDED JUNE 30, 2024

	TOTAL	LONGFELLOW	HARMONY HILL	SUPERVISED APARTMENTS	RAILEY HOUSE	VERMILION	JACKSON	BRASS	FAIRFIELD	CHANGES	FOCUS	SHUTLEY'S DEN	OMAS	A. B. HORN	BAKER	CAMELIA	DEVILLE	TRANSITIONAL	SHARED COST CENTER
PROPERTY																			
Government fees - housing	\$5,924,832	\$	635,087	\$272,467	\$348,034	\$634,977	\$537,511	\$404,265	\$	\$333,839	\$478,991	\$356,577	\$376,422	\$271,282	\$271,282	\$412,040	\$1,432,881	\$1,432,881	
Government fees - food	102,913	11,862	12,357		11,472	14,389	6,759	8,134		7,241	9,796	9,731	6,187	5,025					17,954
Government fees - services																			14,241
Residents' rental income	233,632																		
Contribution																			60,655
Rental income	11,281																		173,037
Interest income and other																			
	3,128,808	635,949	384,821	229,547	359,476	649,366	514,272	412,399		341,080	488,777	366,308	382,609	216,302		432,040	71,916	1,605,918	
EXPENSES																			
ADMINISTRATIVE																			
Salaries and wages	264,847																		41,767
Payroll taxes	17,954																		223,080
Employee benefits	16,997																		17,954
Advertising																			2,756
Insurance	283,147	16,135	13,596	11,509	13,697	17,996	17,335	15,937	31	15,360	14,088	13,117	16,285	12,794	1,505	15,437	10,571	67,766	8,988
Utilities	8,122	683	500	278	500	605	600	655	555	615	565	585	503	500		500		1,173	
Licenses	21,692	1,137	272	(125)	240	1,292	1,405	422	403	1,465	307	537	422	(92)		(225)		2,350	
Printing	951		94			47					94					47			
Provider fee																			
Motor vehicle expense	119,888	5,791	7,108	15,236	2,827	6,426	9,844	8,742		8,116	4,125	6,525	3,300	8,117		1,803		31,728	
Taxes - non-property																			
Professional services	4,545	811	74	74	74	1,011	576	868		395	74	74		74		218		37	111
Subscriptions	9,522		40			2,593	2,593				4,189							2,202	578
Telephone	1,176	11				117	314	3,891	90					121				300	
Travel and seminar	34,164	741	65	65	461	10,806	5,998	731	4,227	1,265	1,265	530	214			85		6,638	525
Bank charges	20,935	2,210	832	652	2,104	8,384	4,937	670	4,233	1,010	1,010	849	3,010			655		2,432	
Miscellaneous	32,632	1,637	(4)	148	5	2,297	1,769	2,369	5,440	5,440	101	101	612			224		2,985	80
		3,675	(377)	(184)	(477)	1,469	3,770	4,112		5,721	1,375	6,287	1,951	(249)		2	103		2,338
																			185
																			200
PLANT OPERATIONS AND MAINTENANCE																			
Salaries and wages	46,480																		27,602
Payroll taxes	3,534																		2,107
Employee benefits	1,026																		1,026
Outside services	24,354	90	350	262	2,319	3,318	5,083	831		3,337	280	725	1,098	274		2,531		5,602	
Repairs and maintenance	120,592	6,088	3,203	1,547	6,668	4,870	18,973	8,375		11,035	8,911	3,539	4,877	2,622		2,531		2,531	
Supplies	21,815	2,183	2,186	711	2,104	2,470	4,937	819		1,347	1,464	677	1,438	1,438		983		5,546	
Utilities	288,282	11,171	13,536	14,951	9,177	13,500	16,415	7,389		8,359	10,420	8,034	7,960	6,472		6,805		86,027	
COST RELATED TO CAPITAL ASSETS																			
Depreciation	121,076	7,224	2,720	2,447	3,977	13,189	4,711	3,201	6,004	5,866	9,280	1,151	5,620	2,529		3,877		38,929	1,577
Interest	51,336					1,273							1,005						
Rent	123,235	6,400	1,650	18,300		18,000	18,375	18,000		1,355		18,000							173
Property taxes	5,238					823	1,996	960		1,355									
Other	51,414	1,897	1,545	2,169	214	9,620	7,431	2,302		3,725	214	1,010	1,106	1,521		1,788	(248)	16,918	
DIETARY EXPENSE																			
Salaries and wages																			
Payroll taxes																			
Employee benefits																			
Food	290,430	23,968	15,487	17,413	15,638	25,952	21,567	15,116		12,796	18,116	12,352	12,776	11,073		12,594		74,584	
Dietary supplies	6,800	790	286	244	324	429	501	358		259	284	339	522	331		1,474		986	
Other	10,952	2,897	300		340	1,155	980	1,320		1,300	260	300	360	460		420		860	
LAUNDRY AND LINEN SUPPLIES	12,332	653	672	395	404	1,878	567	352		1,598	512	554	331	245		429		3,942	
HOUSEKEEPING SUPPLIES	32,294	2,644	1,087	1,535	1,549	1,753	1,153	2,293		1,868	1,422	1,251	872	1,265		1,316		10,166	
PERSONAL CLIENT NEEDS																			
Clothing	11,534	(986)	2,127		5,378	1,373	(420)	(1,169)		(811)	3,298	784	18	3,463		(2,241)		800	
Other	42,318	1,864	3,118	4,237	2,423	6,580	6,436	3,331		1,235	4,591	3,765	3,033	2,700		741		4,264	
MEDICAL AND NURSING																			
Medical supplies	5,550	93	536		781														3,590
Medical services	127	397	127	199	644	471	1,723	1,152		999		17	20	150		363		285	
Other	14,905	525	222		289	686	2,759	288		589	581	148	803	31		21		1,744	8,131

THE HARMONY CENTER, INC.  
 A NOT-FOR-PROFIT CORPORATION  
 SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS  
 YEAR ENDED JUNE 30, 2004

	TOTAL	LONGFELLOW	HARMONY	SUPERVISED	HANDLEY	VENTNATION	JACKSON	BRADY	FAIRFIELD	CHANGES	FOCUS	SHIRLEY'S	OAS	BAKER	OMELIA	DEVILLE	TRANSITIONAL	SHARED COST
				APARTMENTS	HOUSE							DEB					CENTER	
THERAPEUTIC AND TRAINING																		
Salaries and Wages	3,093,314	224,289	136,585	99,046	140,079	269,714	265,778	217,489	1,079	197,553	151,580	130,050	229,491	108,376	200,216	728,671		
Employee benefits	251,800	18,212	11,306	7,826	11,140	21,722	25,175	18,185	119	16,615	11,447	10,488	18,026	8,527	15,877	62,276		
Supplies	160,986	24,668	13,076	4,643	11,290	20,413	5,811	6,782		6,947	8,231	8,038	8,261	8,078	25,877	32,276		
Other training	1,123	340				26	143	780		600			100		970			
RECREATIONAL	2,858																	
CONSULTANTS	47,527	4,398	3,541	111	2,903	9,121	7,835	3,335		3,990	920	(191)	359	421	1,495	861		
EDUCATION	264,439	40,695	3,839	3,185	756	40,013	35,993	24,440		27,535	55,127	3,670	5,228	381	2,186	10,457		
Executive Officer Compensation	10,275	5,121	624							647	810	680	1,212	462	75	21,368		
ALLOCATED EXPENSES																		
Central Office cost	11,281																	
Shared cost	765,327																	
TOTAL EXPENSES	59,655	34,314	28,015	28,015	34,337	74,941	69,126	51,537	959	48,292	44,684	31,607	45,367	25,865	37,742	274,786		
CHANGE IN NET ASSETS	36,218	25,177	14,308	14,308	25,177	37,886	32,061	27,612		28,414	27,929	20,572	20,228	15,912	18,205			
BEFORE TRANSFERS	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032	317,032		
OTHER CHANGE IN NET ASSETS	407,994	118,694	87,256	(30,446)	61,678	85	(54,524)	(14,026)	16,292	418,183	312,183	272,392	192,321	235,554	328,358	159,312	(511,151)	
Interprogram transfers		604,899	(91,208)	(7,871)	(69,879)	(101,853)	(16,883)	(37,982)	1,216	(77,101)	101,592	92,305	(10,345)	51,263	(1,505)	105,082	274,786	
NET ASSETS - JULY 1, 2003	2,414,293	826,524	369,582	382,228	86,273	(101,232)	(128,272)	(128,272)	157,687	(120,183)	(120,183)	(112,046)	(54,963)	(54,963)	1,505	(15,387)		
NET ASSETS - June 30, 2004	59,823,287	1,553,317	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630	1,554,630

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.  
 (A NOT FOR PROFIT ORGANIZATION)  
 BATON ROUGE, LOUISIANA  
 SCHEDULE OF REVENUE, FINANCIAL EXPENSES AND CHANGE IN NET ASSETS  
 COMMUNITY HOMES  
 YEAR ENDED JUNE 30, 2003

	TOTAL	PAST	BEDFORD	ELLISALD	GOUDCHAUX	CONVENTION	RILEY	HARMONY II	FLORIDA	MASON	CARROLLTON	CHRISTIAN	SHARED COST CENTER
<b>REVENUE</b>													
Government fees - housing	\$ 3,430,901	\$ 365,315	\$ 346,521	\$ 356,122	\$ 308,369	\$ 380,200	\$ 369,916	\$ 382,041	\$ 307,639	\$ 298,480	\$ 314,298		
Government fees - food													
Government fees - services													
Residents' rental income	183,217	32,186	12,405	11,849	6,712	39,908	28,734	11,428	22,577	16,601	817		
Rental income	20	4	4	4	4				(4)	4	4		
Interest income and other	3,614,138	397,505	358,930	369,975	315,085	420,108	398,650	393,469	330,212	315,085	315,119		
<b>EXPENSES</b>													
<b>ADMINISTRATIVE</b>													
Salaries and wages	172,665												172,665
Payroll taxes	13,625												13,625
Employee benefits	18,914												18,914
Advertising													
Insurance	129,325	11,724	13,228	12,307	12,416	12,420	12,601	11,687	12,083	11,491	11,761		8,267
Interest - operations													
Licenses	6,310	640	635	630	625	640	640	640	615	630	615		
Office supplies	24,021	1,162	459	561	649	624	366	654	628	664	647		17,607
Printing													
Motor vehicle expense	274,157	31,283	27,345	28,003	24,002	32,003	30,353	30,145	23,019	24,002	24,002		178
Motor vehicle expense	53,432	4,590	4,635	3,748	7,326	6,103	4,021	4,920	5,083	4,385	8,443		
Taxes - non-property													
Postage	3,197	420	50	50	50	50	50	50	50	50	882		1,495
Professional services	1,577	1,189	388										
Subscriptions	1,477	173	171	304	154	21	171	154	154	154	21		
Telephone	7,890	274	274	1,597	1,597	257	413		(311)		1,088		4,298
Training	14,520	1,323	1,323	1,303	1,303	1,263	1,548	1,323	1,523	1,393	651		1,547
Travel and seminar	5,123	823	383	175	(40)						190		3,792
Bank charges	356	34	34	34	41	35	35	35	35	35	35		3
Miscellaneous	64,537	5,937	23,331	(63)	111	2,605	169	25,863	4,880	1,594	112		(2)
<b>PLANT OPERATIONS AND MAINTENANCE</b>													
Salaries and wages	51,016												51,016
Payroll taxes	3,714												3,714
Employee benefits	(1,242)												(1,242)
Outside services	13,027	454	1,068	1,847	1,612	1,272	1,375	1,602	2,393	963	1,338		
Repairs and maintenance	26,608	2,409	3,286	5,529	4,209	2,437	1,601	1,646	1,659	1,453	2,179		
Supplies	4,930	1,200	468			678	503	406	379	395	901		
Utilities	72,171	8,239	10,229	4,948	4,410	7,690	7,681	7,251	7,383	6,954	7,386		
<b>COST RELATED TO CAPITAL ASSETS</b>													
Depreciation	44,306	426	6,383	7,856	5,716	2,887	4,153	829	3,430	5,303	5,085		2,228
Interest	6,103			1,261	1,065								182
Rent	88,000	12,000		12,000	7,200	14,400	4,000	14,400	12,000	12,000			
Property taxes													
Other	3,649	541	285		1,133		269	269	255		897		
<b>DIETARY EXPENSE</b>													
Salaries and wages													
Payroll taxes													
Employee benefits													
Food	113,535	12,180	12,790	11,214	10,183	12,544	12,807	11,940	11,051	9,859	8,967		
Dietary supplies	230	230	129	516	292	290	428	322	283	267	336		
Dietician	4,187	280	360	400	380	360	424	340	280	320	1,043		
<b>LAUNDRY AND LINEN SUPPLIES</b>													
	2,904	351	408	241	356	265	338	361	290	196	298		
<b>HOUSEKEEPING SUPPLIES</b>													
	8,049	1,297	1,578	482	718	928	729	694	582	429	512		
<b>PERSONAL CLIENT NEEDS</b>													
Clothing	13,912	800	700	1,862	1,030	1,000	1,450	2,400	1,200	1,650	1,800		
Other	19,165	2,343	1,580	2,032	1,314	1,607	2,682	1,806	2,470	1,059	2,272		

THE HARMONY CENTER, INC.  
(A NOT FOR PROFIT ORGANIZATION)  
BATON ROUGE, LOUISIANA  
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS  
COMMUNITY HOMES  
YEAR ENDED JUNE 30, 2003

	TOTAL	EAST	BEDFORD	ELLISALDE	GOUDCHAUX	CONVENTION	RILEY	HARMONY II	FLORIDA	MASON	CARROLLTON	CHRISTIAN	SHARED COST CENTER
MEDICAL AND NURSING													
Medical services	3,716	652	1,108	4	187	482	602	312	177	192			
Medical supplies	10,818	92	570	676	310	413	248	397	308	320	7,464		
Other	1,312	58				63	72	(35)	(5)		1,159		
Therapeutic and training													
Salaries and wages	1,237,281	118,074	149,287	114,972	113,980	127,279	131,258	125,353	119,148	106,698	131,232		
Payroll taxes	100,130	9,130	12,206	9,546	8,802	10,226	10,723	10,056	9,595	8,823	11,027		
Employee benefits	87,216	9,381	7,525	9,864	14,102	7,940	13,204	11,109	4,225	8,117	1,749		
Supplies													
Other training	558,381	98,425	41,476	46,454	37,922	45,151	99,393	81,598	38,023	40,217	29,722		
RECREATIONAL	15,252	1,289	1,282	959	2,186	2,543	1,313	730	1,740	1,640	1,570		
CONSULTANTS	124,955	9,746	12,889	9,758	10,068	10,594	19,905	10,059	9,121	13,363	15,452		
ALLOCATED EXPENSES													
Central office cost	401,790	44,993	43,698	37,162	35,569	39,588	47,262	46,436	35,410	34,179	37,293		
Shared cost		33,112	29,875	30,592	26,222	34,962	33,159	32,753	25,111	26,222	26,222		(298,230)
TOTAL EXPENSES	3,810,674	427,274	411,436	357,457	317,040	381,420	445,942	439,505	334,437	325,017	351,946		
CHANGE IN NET ASSETS													
BEFORE TRANSFERS	(196,536)	(29,769)	(52,506)	12,518	(21,955)	18,488	(47,292)	(45,036)	(4,225)	(9,932)	(36,827)		
OTHER CHANGE IN NET ASSETS													
Intraprogram transfers		169,470	4,884	(55,887)	(22,666)	(68,906)	67,030	1,898	(52,156)	(37,598)	(6,069)		
Interprogram transfer													
NET ASSETS - July 1, 2003	1,846,682	853,636	(68,225)	38,593	40,521	128,413	217,131	110,189	79,526	53,553	289,813	101,291	6,051
NET ASSETS - June 30, 2004	\$1,650,146	\$993,317	(\$115,847)	(\$4,786)	(\$4,100)	\$97,995	\$237,069	\$67,051	\$19,145	\$6,073	\$246,977	\$101,291	\$6,051

The accompanying notes are an integral part of this schedule.

# R. BROWN & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

12046 Justice Avenue, Suite B.  
Baton Rouge, Louisiana 70816  
Telephone: (225) 296-5200  
Fax: (225) 296-5201  
E-Mail: REBROWN@RBROWNPCA.COM

Richard E. Brown, C.P.A.

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The Harmony Center, Inc.

We have audited the financial statements of The Harmony Center, Inc. (a not for profit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether The Harmony Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Harmony Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect The Harmony Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were identified:

- Executive director collecting rental income of owned apartment building and not depositing into organization's bank account. Retroactive approval of additional compensation in the amount of the non-collected rents was obtained from the Board.

The following reportable conditions for the year ended June 30, 2003 are as follows:

- Executive director collecting rental income of owned apartment building and not depositing into organization's bank account. Retroactive approval of additional compensation in the amount of the non-collected rents was obtained from the Board.

During the year ended June 30, 2004 management instructed the executive director and all employees that all rental collections are to be delivered directly to the accounting department for prompt depositing into the organization's bank account.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Baton Rouge, Louisiana  
March 5, 2005